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SUBJECT: APRIL 2006 DEFENSE DISCUSSIONS: ICELAND'S RED LINES

REF: A. (A) REYKJAVIK 118

¶B. (B) KOSNETT-STATE/DOD E-MAILS

Classified By: AMBASSADOR CAROL VAN VOORST, REASONS 1.4 (B) AND (D).

¶1. (C) Summary: Recent discussions with Icelandic Government personnel and the first three meetings of a bilateral working group managing base closure issues offer indications of GOI expectations for the EUCOM briefing 4/26 in Reykjavik. Although the Icelandic leadership understands the classified nature of the EUCOM plan to defend Iceland, they are looking for a briefing that is concrete enough to allow ministers to explain its basic elements to a skeptical public. With Naval Air Station Keflavik (NASKEF) preparing for closure, it is also urgent that we come to a swift understanding with the Icelanders on transition issues to include status of the Agreed Area, IADS, environment, real estate, and airport operations. End summary.

¶2. (C) Since the last round of bilateral defense talks March 31 (reftel), Ambassador, DCM, and poloff have canvassed senior Icelandic diplomats for their reactions and hopes for the next round, now scheduled for April 26. In addition, a working group of Icelandic and Embassy, NASKEF, and Iceland Defense Force officials has met three times to discuss nuts-and-bolts aspects of the U.S. military's departure. Post's findings and recommendations:

The Plan

¶3. (C) The plan to defend Iceland after the withdrawal of the combat aircraft that EUCOM presents will need to meet the following criteria if it is to respond to Icelandic concerns about the optics of the bilateral defense relationship as well as about security:

-- Intelligibility: Briefers should keep in mind that Icelanders have limited competence in military matters, and no one at their side of the table this week will have military experience. We must take care to facilitate Icelandic engagement through plain speaking in layman's terms.

-- Specificity: Foreign Minister Geir Haarde and other government ministers must be able to reassure the public that there is a blueprint for Iceland's defense. GOI officials understand that part of the blueprint will necessarily be classified, but must also be able to express confidence that our defense plan for Iceland is reasonably concrete --

and to disclose enough details to make it credible to a public accustomed to the very "visible defense" offered by the departing aircraft and base personnel.

-- Input: The GOI wants and needs to be seen to have had input into the plan. Icelandic chief negotiator Albert Jonsson and FM Haarde have made it clear that the Icelandic government expects to comment on and perhaps contribute ideas to any U.S. plan before it is finalized.

-- Air cover: The Icelanders still want force posture that is "visible and robust," i.e. planes here at least some of the time and, ideally, some facilities left here to service them. In addition, they want a schedule of exercises.

-- Radars: The GOI insists on continued operation of the NATO-controlled Integrated Air Defense System (IADS).

Transition Issues

¶4. (C) The bilateral Transition Work Group that has been meeting to handle the practicalities of base drawdown (ref B) has identified several areas of U.S.-Icelandic disagreement that we need to address promptly, before the Icelandic position hardens to a point where negotiation will become impossible. The main issues are:

-- Agreed Area: The GOI believes the USG is responsible for continued utility costs, maintenance of, and security for the Agreed Area even if we withdraw our forces and that there is no point to the Defense Agreement if we do not accept this view. They have suggested that any U.S. actions must be approved by the NATO Infrastructure Committee.

-- Environment/real estate: The Icelanders want to move quickly on land return and need to be told whether the U.S. will ask for residual value payments (note: which they have said they do not wish to pay; end note) and who should be responsible for environmental and UXO cleanup (note: they argue it should be us; end note).

-- Airport operations: The Icelanders want us to hand over equipment needed to maintain the airfield; we have thus far said that the U.S. is open to providing the equipment but that the question of whether and how much we would expect in payment is an open one. The MFA has promised a formal letter of request for specific equipment.

Comment/Action Requested

¶5. (C) The bilateral talks scheduled for April 26 are a key event for the Icelandic government. The EUCOM team must deliver the briefing on "the plan" that they promised the Icelanders March 31, at the risk of damaging our credibility and undercutting our well-wishers in the Icelandic government. The EUCOM team must come to Iceland with the object not just of briefing the government but of soliciting Reykjavik's input. We need to tell the government enough about how we would defend this NATO ally so that FM Haarde and his colleagues can say they have confidence that the U.S. has considered possible threats and knows how we would deal with them. On another track, we also need to reach interagency agreement on transition issues very soon and get to work on implementing our decisions.

¶6. (C) On base transition issues, we recommend that an interagency team empowered formally to negotiate -- not just to brief on U.S. views -- be dispatched as early in May as feasible.

van Voorst